126566 - Shar’i guidelines on selling by instalments

the question

What are the guidelines which will protect the rights of both parties in sales by instalments and hence protect the rights and system and soundness of society?.

Detailed answer

Praise be to Allah.

Sales with payment to be made at a later, known date are permissible because of the general meaning of the words of Allaah (interpretation of the meaning):

“O you who believe! When you contract a debt for a fixed period, write it down” [al-Baqarah 2:282].

There is nothing wrong with increasing the price in return for delaying it. There is proven evidence from the Prophet (peace and blessings of Allaah be upon him) which indicates that this is permissible. That is when he (peace and blessings of Allaah be upon him) ordered ‘Abd-Allaah ibn ‘Amr ibn al-‘Aas (may Allaah be pleased with him) to prepare an army and buy each camel for two camels to be paid at a future date. But we should be aware of what Islam has stipulated in such transactions so that the two parties involved will not enter into a haraam contract, because some people sell things that are not in their possession, then they buy them after that and hand them over to the purchaser.

Some of them, when they buy things, sell them when they are still in the seller’s store, before taking possession of them in the shar’i sense. Both these scenarios are not permissible, because it is proven that the Prophet (peace and blessings of Allaah be upon him) said to Hakeem ibn Hizaam: “Do not sell what is not in your possession.” And he (peace and blessings of Allaah be upon him) said: “It is not permissible to give a loan and sell at the same time or to sell what is not

in your possession.” And he (peace and blessings of Allaah be upon him) said: “Whoever buys food, let him not sell it until he has acquired it.”” Ibn ‘Umar (may Allaah be pleased with him) said: We used to buy food willy-nilly, then the Messenger of Allaah (peace and blessings of Allaah be upon him) sent word to us forbidding us to sell it until we had moved it to our own locations. Narrated by Muslim.

And it is proven that the Prophet (peace and blessings of Allaah be upon him) forbade selling goods until the merchants had acquired them and moved them to their own places.

From these ahaadeeth and similar reports, it is clear to the seeker of truth that it is not permissible for a Muslim to sell an item that is not in his possession, then go and buy it. Rather what he must do is delay selling it until he has bought it and acquired it and it is in his possession. It is also clear that what many people do, selling an item that is still in the seller’s store before transferring it to the buyer’s possession is something that is not permissible because it is contrary to the Sunnah of the Messenger (peace and blessings of Allaah be upon him), and because it is tampering with transactions, and because it is not in accordance with sharee’ah, and there is much mischief and evil in that, and limitless negative consequences. End quote.